Transportation Issues in Contracting

ASC/PKAA

ASC/PKX

Transportation in Contracts

- When we buy supplies, they need to get to the warfighters. How is that handled in our contracts?
- There are two ways we have transportation in our contracts, Free on board (F.o.b.) Origin or Destination.
- The F.o.b. point determines who will pay for transporting the supplies.

F.o.b. Origin

- When we have F.o.b. Origin in the contract, that means the Government pays the cost of transporting the supplies from the contractor’s plant or wherever we accept the supplies from the contractor.
- F.o.b. Origin means the Government is responsible for any loss or damage to the supplies while being transported.
- If we are contemplating having F.o.b. Origin in the contract, our finance and accounting office must be aware of that, so they can ensure there is funding available to pay for transporting the supplies to the end destination.

F.o.b. Destination

- F.o.b. Destination means the contractor must pay for the cost of shipping the supplies to the end destination.
- When the contractor submits their proposal, they should have factored in the cost of transportation as part of their total proposed price.
- The contractor is responsible for any loss or damage to the supplies before receipt of the shipment at the delivery point.

Transportation in Contracts

- Most contracting people don’t pay much attention to the transportation requirements in their contracts, but transportation can become a serious issue.
- Global Hawk and Predator spares were held up in Customs because the contract did not contain any provisions for shipping spare parts outside the U.S.
- The cost of transporting an axle for M-1 Abrams tank cold weather testing in Alaska was more than the axle cost. The next year cold weather testing was done in the Upper Peninsula of Michigan partly because of transportation costs.

Transportation in Contracts

- Transportation policy and guidance appears in FAR Part 47.
- Deciding F.o.b. point is primarily the program manager’s responsibility, but since it impacts the dollars available to the program, that decision should not be made in a vacuum.

Transportation in Contracts

- A “Bill of Lading” is the document evidencing receipt of goods for shipment, issued by a person engaged in the business of transporting goods. A Bill of Lading is the standard form of contract between a common carrier and a party shipping goods.
- In Government contracting, there is the Government Bill of lading (GBL) and the Commercial Bill of Lading (CBL).

Transportation in Contracts

- In January 2006, FAR Part 47 was revised to require a CBL for domestic shipments.
- A GBL is only to be used for international shipments or noncontiguous domestic trade shipments or when otherwise authorized.
- For years, DoD has been minimizing contractor use of GBLs. This FAR revision finalized that emphasis.

Transportation in Contracts